ChatETP: Mid-Year Review

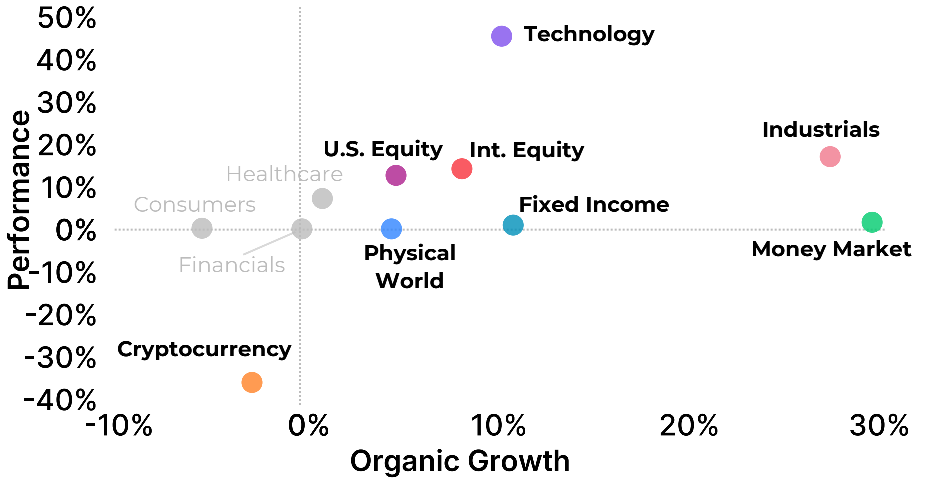
Mid-Year Highlights

- Technology ETFs are among the top performing funds in the first half of 2026.
- Money market funds have gathered increasingly more flows which may be attributable to risk free returns bolstering interest and in house treasury for issuers becoming more popular.
- Retail involvement in thematic equity has consistently increased throughout the year as hyper specific themes like semiconductors and memory have had standout performance.

The State of the U.S. Market

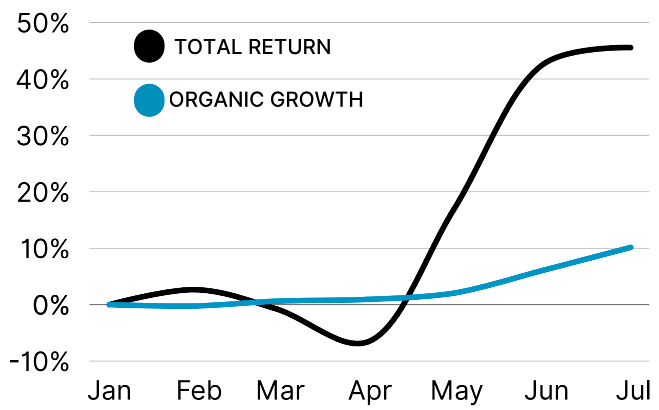
In terms of pure performance technology funds have been among the highest performing of 2026. Tech had a rough start to the year. However, tech's back to back exceptional months in April and May, each with over 20% return, vaulted it to the top of the leaderboard. Flows for June were up nearly 4%. This may indicate continued investor interest in technology. While overall tech is up, it has not behaved as a monolith. Within the sector there were have and have nots. The majority of growth in both cash inflows and returns happened with physical technology while software floundered. On the other hand, industrials underperformed technology but have grown at a faster rate. As investors looked for access to AI, infrastructure and other plays within the sector likely seemed undersaturated relative to large cap tech.

U.S. YTD ETP Organic Growth and Performance



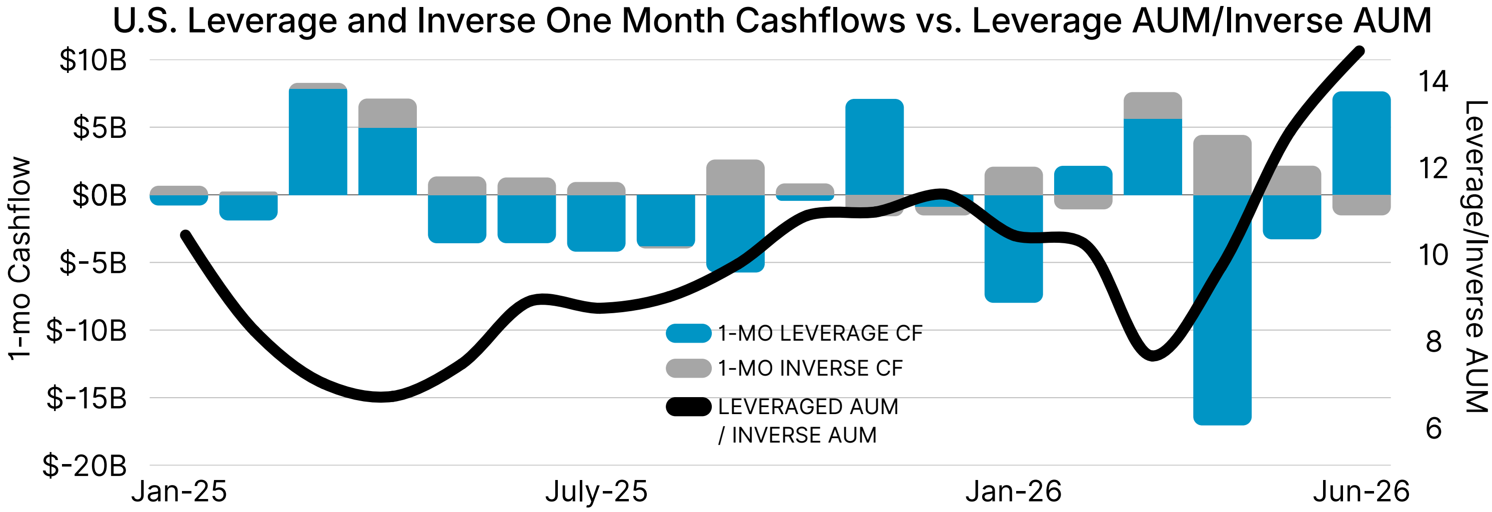
Fixed income has also had a standout year in popularity. It has grown at a faster rate than U.S. and international equity as investors have grown increasingly cautious of continued positive market performance. Money market funds have grown by almost 30%. Issuers like Proshares are beginning to use their own money market funds for cash management which has instantly netted the funds millions on launch.

U.S. Technology YTD Organic Growth and Total Return



Broad U.S. equity has recovered after faltering a bit in the first quarter of the year, almost matching the returns of international equity. International has seen less interest in terms of raw cashflow but is growing at a faster rate than it's U.S. counterparts. U.S. equity tends to outperform over long periods of time and as the year has gone investors are starting to transition back into equity ETFs investing in the U.S.

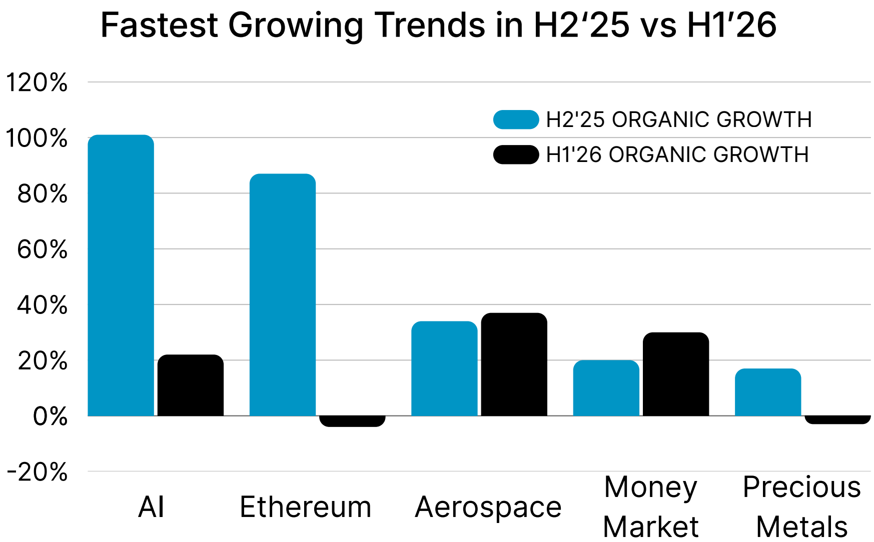
Leverage Mania?



Over the past year leverage funds' AUM has gone up while inverse fund holdings have stayed largely the same. However, inverse ETFs have actually received more flows year to date at $8B than leveraged ETFs which had nearly $13B in outflows. Investors seem to have begun to take profits out of leveraged ETFs while more cautious investors seem to be slowly adding inverse holdings to their portfolios. The increase in AUM within leverage ETFs is largely due to the continued overperformance of the the market and the focus of single stock ETFs on high volatility tech names which have done exceptionally well over the past quarter.

Leveraged ETFs are also diversifying away from broad market and sector funds. Over the past three years levered single stock funds have grown to over $50B in AUM and includes nearly 500 funds. Issuers have also begun filing and launching ETFs for successful thematic ETFs like the Roundhill Memory ETF (DRAM) which already has several filings in the pipeline for 2x versions of the fund.

2025 Trends Falter as Tech Infrastructure Takes the Lead



The majority of hot trends in 2025 have started to lose steam as investors have switched their focus to physical technology and indirect plays on AI. While AI is still receiving healthy flows at 20%, that is a fraction of the over 100% organic growth they recieved in the second half of 2025. This year investors may feel that the high outperformance of AI has left the category overvalued. Technology infrastructure has been among the fastest growing categories in the first half of 2026 at nearly 100% OGR, showing that while direct AI investment has become less popular investors are still hungry for AI related plays.

Precious metals and ethereum have completely fallen off with outflows from both in 2026 so far. The hype around both have died down as prices have decreased for the categories. Crypto rode the highs of 'ETF-ization' and precious metals had an incredible run up in 2025. Both have since faltered.

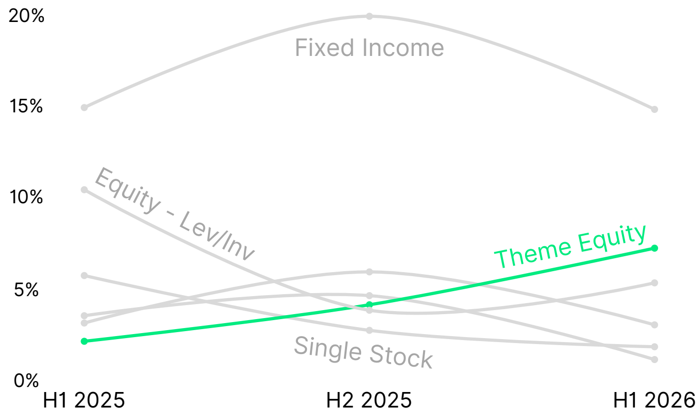
The U.S. Retail Report

The first six months of 2026 appeared to be a period of surgical conviction, not broad participation. Self-directed retail investors moved decisively away from the "everything rally" mentality that defined the second half of 2025, and instead into semiconductors, AI, and technology infrastructure in 2026.

Theme equity was the only broad category that showed consistent growth in share of retail net buying while the other categories exhibited boomerang patterns over the same three six-month periods. Here are some key takeaways from the last six months:

Theme Equity Grows Consistently

Share of Retail Net Buying Activity

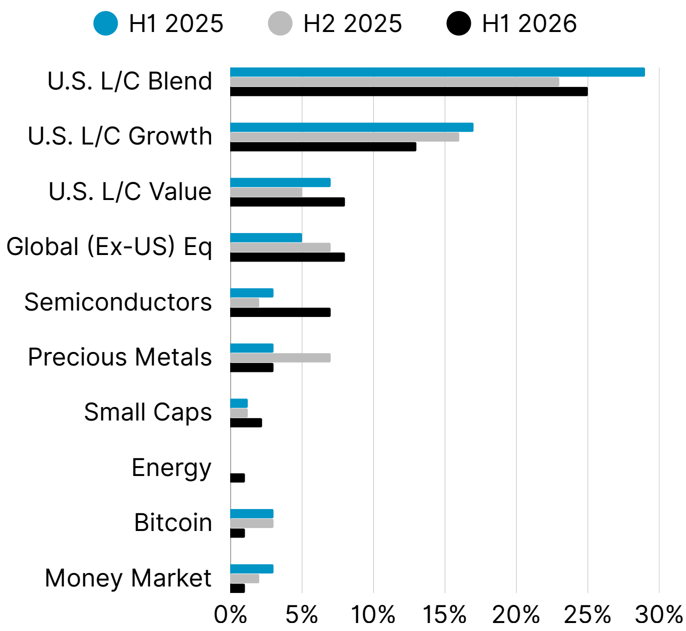


Retail Is Rotating Out of Large Cap Growth

U.S. large cap growth's share of retail net buying declined steadily from 17% in H1 2025 to 13% in H1 2026, signaling a deliberate and sustained reallocation away from mega-cap growth names. Meanwhile, global (ex-U.S.) and U.S. large cap value share grew from 5% to 8%, indicating retail is quietly building diversification into international and value exposures.

U.S. Large Cap Growth Fades, Intl Shines

Share of Retail Net Buying Activity



Energy's Market-Validated Recovery

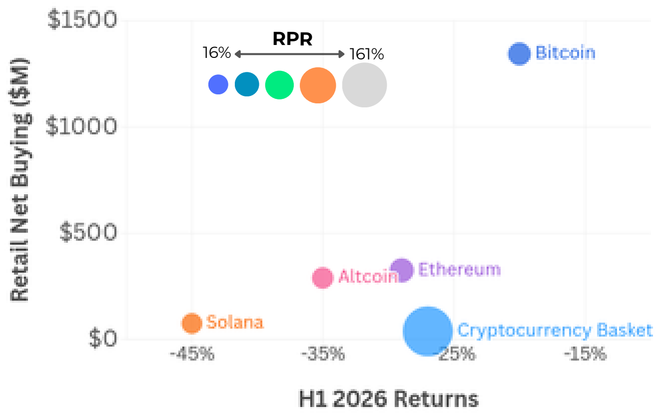
Energy transformed from an avoided category in H1 2025 (retail net selling of $150M) to a validated growth story in 2026 (net buying of $1.96B). The retail participation rate (RPR) flipped from -7% to 23% confirming retail followed all investor types into the trade rather than speculating independently which is a hallmark of mature, validated rotation. This is also energy's first appearance in retail net buying share (0% to 1%) after two six-month periods of absence.

Retail Pursues Crypto Despite Declining Returns

Even with the decline of cryptocurrency's net buying, a striking flow/performance disconnect emerged as retail investors continued to pour $1.3B into Bitcoin (-20% returns), $325M into Ethereum (-29%), and $74M into Solana (-45%), deploying capital directly into falling assets. Retail net buying exceeded total net cashflows, confirming all investor types were net sellers while retail investors were net buyers. The declining Bitcoin share from 3% to 1% revealed that fewer retail investors were participating.

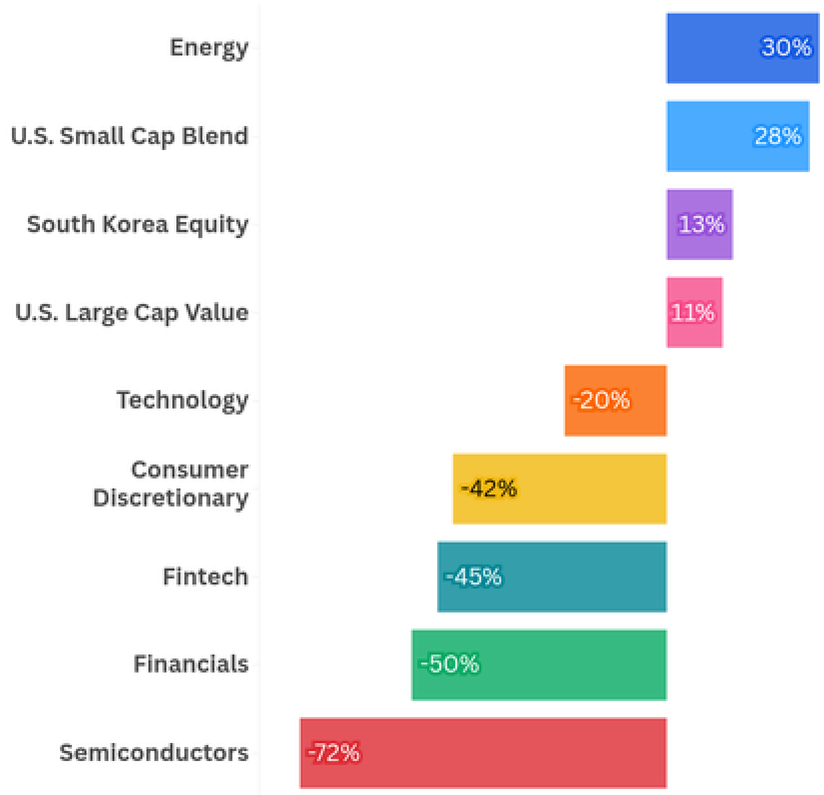
Retail Buys Into Crypto Weakness

H2 2026 Returns vs Retail Net Buying vs RPR



Chips In, Discretionary Out: Retail's Real Playbook

Difference in Retail Participation Rate (H1 2026 vs H2 2025)



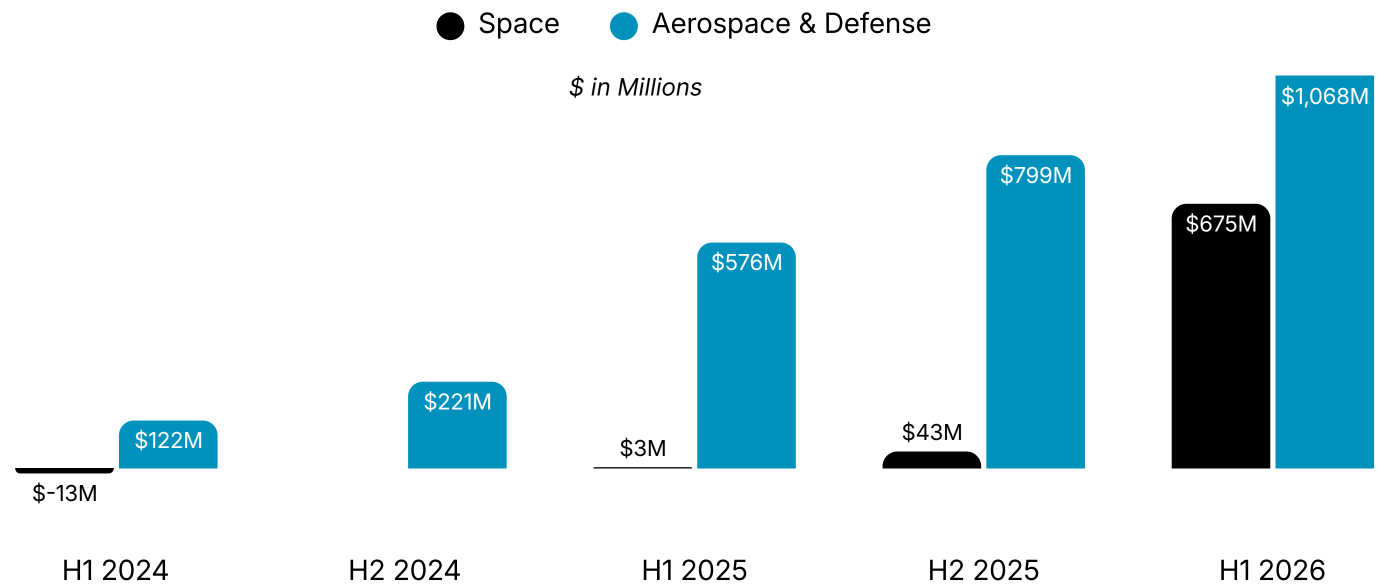
As a comparison with all investor types' cashflow, retail behaved less like a monolithic momentum crowd and more like a differentiated allocator picking its spots.

Semiconductors captured a clear expression of the divide: retail net buying quadrupled to $11.6B, yet the category's RPR fell from 110% to 37%, meaning investor types as a whole entered at roughly 8x the retail rate and validated the trade as a genuine supercycle rather than a retail-driven bubble.

Meanwhile, retail fled consumer discretionary faster than the entirety of investor types (flows flipping from +$427M to -$403M, RPR collapsing from 28% to -15%), meaning retail exited faster than the larger market which is a direct challenge to the "dumb money" narrative.

Retail's New Orbit: How Space Joined the Defense Supercycle

Aerospace, Defense & Space ETFs: Retail Net Buying



The defense trade kept its foot on the gas through the first half of 2026. Retail net buying into aerospace & defense ETFs climbed to over $1B after $799M last half, extending a multi-half streak of growth that began in earnest in H1 2025.

But the most striking shift this period is in space. Space ETFs went from effectively zero retail interest to $675M in net buying in a single half-year, showing a stark reversal from the mild outflows seen as recently as H1 2024. The Golden Dome missile defense initiative, Starship's operational cadence, commercial revenue surges at Rocket Lab and AST SpaceMobile, have converted space from a curiosity into a fundable theme.

Source: Nasdaq ETF Market Intelligence, Factset, Morningstar Data as of 6/30/26

New Kids on the Block

US ETP Threads | Ranked Launches and Filings by Nasdaq ETP Taxonomy

	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26	Jul-26*	Aug-26*
1	Equity Option Overlay	Equity Option Overlay	Single Stock	Single Stock	Single Stock	Single Stock	Single Stock
2	Fundamental Factors	Single Stock	Equity Option Overlay	Fixed Income	Equity Option Overlay	Theme Equity	Theme Equity
3	Single Stock	Fixed Income	Fixed Income	Equity Option Overlay	Fixed Income	Equity Option Overlay	Fixed Income
4	Fixed Income	Fundamental Factors	Fundamental Factors	Fundamental Factors	Theme Equity	Fundamental Factors	Equity Option Overlay
5	Signal Factors	Signal Factors	Cryptocurrency	Theme Equity	Fundamental Factors	Signal Factors	Fundamental Factors

*June/July 2026 launch numbers are estimates using SEC filings data and average launch rate.

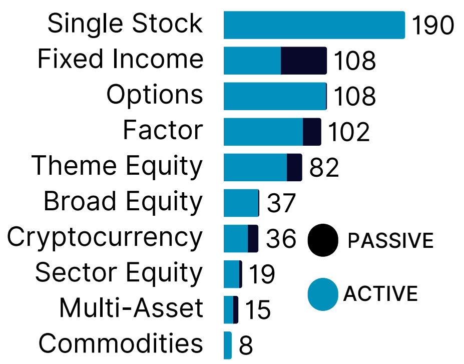
U.S. New Filings and Launches

706
US PRODUCTS LAUNCHED

2026 has shifted firmly into a year of single stock funds. Every period so far this year and looking forward has been dominated by these funds. Thematic equity has also made a comeback as specialized names in semiconductors and other technology categories have gathered billions in assets and issuers launch leveraged thematic funds.

Innovation within ETFs continues. Issuers are now filing ETFs specializing in prediction market contracts ranging from U.S. elections to technology jobs to sports betting. Though none have launched yet, they are currently being considered by the SEC. Fixed income and option overlay funds remain popular as investors increasingly look for ways to generate income. The vast majority of option overlay funds launched this year are covered call funds with nearly all the rest having some sort of buffer overlay.

Active vs. Passive US Launches

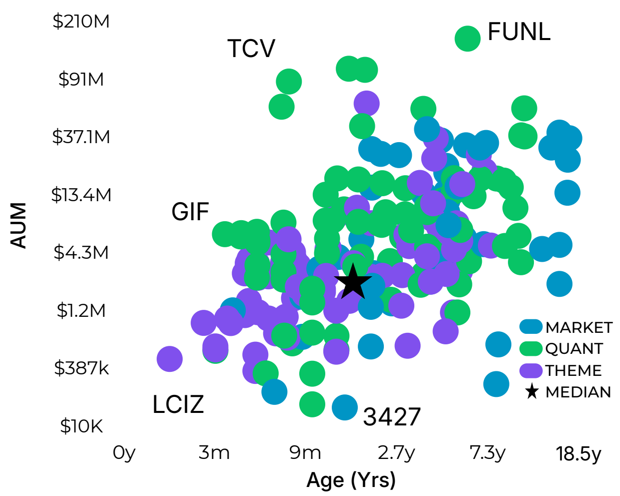


ETFs Delisting After Less Time on the Market

Over the past year ETFs have launching and delisting at a faster pace than ever. The median age before delisting has fallen to 1.7 years internationally. This is primarily due to the rise of single stock ETFs. Of the 207 delistings in 2026 so far 41 are single stock ETFs. The decrease in age is likely due to the characteristics of these funds. Single stock funds are primarily tailored to retail audiences. More traditional funds tend to wait longer before shutting down as they normally need a three year history before institutions will consider investing. On the other hand single stock funds are able to see if they 'catch fire' in a much shorter time frame as retail investors give instant feedback on potential AUM.

2026 Liquidations

207 Delistings YTD



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